

**Unintended Consequences:  
Unemployment Compensation Liability When Reducing Personnel Costs  
TASB Legal Services and Risk Management Services**

**Texas School Districts and Unemployment Compensation:** Most Texas school districts are “reimbursing employers,” which means they pay unemployment claims, dollar-for-dollar, for their employees. The maximum benefits payable by a district for a professional employee are between \$10,000 and \$11,000, although the employee may receive additional benefits under federal or other programs. In other words, if a district terminates 100 employees and each of those employees receives full unemployment benefits, the district’s liability for unemployment benefits alone could be over \$1,000,000.

**TRS Rehired Retirees Can File Claims:** Even rehired retirees are eligible for unemployment benefits. During the first year or two after retirement, unemployment benefits may be offset by TRS benefits. After that, however, a laid-off retired-rehired retiree can claim and receive full unemployment benefits in addition to the retiree’s pension benefits from TRS.

**Cost Cutting and Unemployment Compensation (UC)**

<b>Cost Reduction Strategy</b>	<b>Liability for UC</b>	<b>Determining Factors</b>
Reduction in Force (RIF)	Yes, the district will have liability up to \$10,790 per employee.	District does not have work available, employee did not leave voluntarily, and employee was not fired for misconduct.
Employee quits in anticipation of district’s financial difficulties	Not if resignation was truly voluntary.	District can show that work was still available. Rumors of a lay off are not enough evidence to show a particular job was threatened.
Employee quits after district announces RIF plans that would target the employee’s job	Yes, if employee quit at the time of a near-certain layoff.	District indicated that work would not be available for that employee.
Employee offers notice of resignation in response to early resignation notice incentive	Not if resignation was truly voluntary.	Employee had already decided to resign and incentive merely accelerated notice. District must be able to show work was available, which may be more difficult when attrition is being used to reduce the scope of a RIF.
Employee accepts an exit incentive	Not if resignation was truly voluntary.	Employee decided to resign in response to incentive. District must be able to show work was available, which may be more difficult when the incentive is offered to reduce the scope of a RIF.

Cost Reduction Strategy	Liability for UC	Determining Factors
Employee quits after district cuts employee's pay or benefits	Not unless the total impact of the reductions is over 20%.	Texas Workforce Commission has concluded that a 20% reduction in compensation is presumptive cause to quit.
Employee keeps working after schedule and/or pay is significantly cut	Maybe.	Employee may be eligible for partial benefits, unless weekly earnings are greater than unemployment benefit amount.
Employee remains in position after working conditions are changed significantly due to lack of staff	No.	Employee is deemed to have accepted new conditions if the employee continues working. If the employee had quit, the employee could try to show that the new conditions created cause to quit.
District furloughs employee through sporadic or isolated schedule reductions (e.g., one day per quarter or one day per month)	No.	Reduction in pay/hours is not enough to constitute good cause to quit, and earnings will exceed weekly benefit amount.
District furloughs employee by long-term schedule reduction (e.g., one day per week for an extended period of time)	Yes, if the employee quits because the reduction in pay was 20% or more.	Texas Workforce Commission has concluded that a 20% reduction in compensation is presumptive cause to quit.
District furloughs employee by extended, short-term lay off (e.g., laid off for one month)	Yes. The employee has good cause to quit because work was not available.	Employee experienced a "separation from work" for the duration of the furlough because not working or receiving pay. Even if the employee does not quit (i.e., returns to work at the end of the month), the employee can file claims for benefits for the period of the furlough.

*This document is provided for educational purposes only and contains information to facilitate a general understanding of the law. It is neither an exhaustive treatment of the law on this subject nor is it intended to substitute for the advice of an attorney. It is important for the recipient to consult with the district's own attorney in order to apply these legal principles to specific fact situations.*